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Putting Globalization and Concentration in the Agri-food Sector into Context

David Sparling
Assistant Professor, Department of Agricultural Economics and Business, University of Guelph

Erna van Duren
Associate Professor, Department of Agricultural Economics and Business, University of Guelph

The Issue

From the protests in the streets of Genoa, Quebec and Seattle to the U.S. Senate, one doesn't have to look far to find opposition to globalization and concentration. "… [D]o something about antitrust, the concentration that is clogging the free market …"[1] was one plea in the Senate debate of the Wellstone Amendment 2752. The proposal to place a moratorium on large agribusiness mergers and to establish a commission to review agricultural mergers, concentration, and market power was defeated 71 to 21 but provides an indicator of the concern felt in some quarters. Similar legislative proposals have been made in the European Union and again in the United States.

Globalization and concentration have changed the agri-food sector. To experience global competitors, a firm does not have to enter new markets; the competitors will come to the firm. Adapting to the changing global landscape requires managers and policy makers to view the world differently, understand the factors behind the changes and plan how best to alter corporate strategy or government policy to meet the new challenges.

Implications and Conclusions

For both agri-food managers and policy makers, an essential element of success will be constant environmental scanning to identify both the opportunities and the threats resulting from globalization and concentration. The challenge will be for the private and public sectors to work in concert to create policy that attracts the best businesses and industries, both from a private-profit-oriented perspective and from a public policy perspective. Firms operating in global markets face not only new opportunities, but also many unknowns and new competitors. Mergers and acquisitions can contribute to cost-reduction and expand a company's base of knowledge and ideas. They also bring the challenge of integration. Policy makers should address questions relating to which specific sub-sectors will experience the greatest disruptions or opportunities and what policies can assist firms during transition periods.

Introduction

Globalization and concentration are two different but interrelated processes. It is increasingly difficult to distinguish activities related to the integration of the global economy from those involving concentration in certain industries and markets. Both may cause significant disruption in industries and national economies. Opponents to globalization and concentration are vehement in their opposition and are garnering increasing media attention. The agri-food sector has been one of the lightning rods for opposition. The stories of the losers in the process of globalization and concentration strike a chord with most observers. How can one ignore the plight of farmers, when the number of farms in the United States has declined by 1.25 million from 1964 to 1997 and the farm share of food dollars has decreased from about 40 percent in 1980 to 22.2 percent in 1998 (Sexton, 2000)?

Mega-mergers like DuPont's acquisition of Pioneer, Cargill's acquisition of Continental Grains or Kraft's purchase of Nabisco conjure images of a few huge corporations controlling every aspect of food production and distribution around the world. Concentration and globalization activities are happening at every level, from seed production through to the supermarket, and the size, frequency and scope of these activities all appear to be increasing. To some observers, too much power in the hands of so few is a recipe for disaster.

Managers, politicians and bureaucrats responsible for charting the course for the agribusiness sector ignore the implications of the simultaneous trends of globalization and concentration on the food industry at their peril. Planning strategy in the face of these significant changes is an activity not isolated to the agri-food sector. Changes in the sector must be examined in the context of the changes occurring in the global economy.

To deal proactively with concentration and globalization in the Canadian agri-food sector, it is important that managers understand the reasons for activities related to these phenomena and the role that such activities play in corporate strategy and government policy. Both public and private sector managers must ask the question, "How must we change management activities and government policies to adapt and prepare our industries for the future?"

In this paper, we endeavour to put globalization and concentration activities in the Canadian agri-food sector into context. The paper develops a framework for examining globalization and concentration, drawing on available literature, and goes on to examine merger and acquisition activity in the Canadian agri-food sector. The final section discusses the implications for managers and policy makers.

Methods

The assessments presented in this paper were developed from a review of strategic management and general business literature, relevant web sites, and an analysis of trade and industry level data available through Canadian government departments and web sites. To analyze Canadian food industry activities, a database using data from the Annual Directory of Mergers and Acquisitions (1996-2000) was created. This allowed detailed analysis of industry mergers and acquisitions by size, deal characteristics, nationality of acquiring and acquired company, and motivation.

Globalization and Concentration: A Framework

A recent paper by Adelaja, Nayga and Farooq (1999) models food industry merger and acquisition activity using causal measures that are related to the balance sheet. Although this approach is empirically appealing and has thus been popular, in limiting its analysis to financial measures, it misses dealing directly with the impacts of markets, products and ideas. This approach can measure what has happened as well as firm susceptibility to takeover, but it generally does not capture the real reasons behind global expansion and acquisition moves that firms undertake. It cannot help agri-food managers and policy makers deal effectively with the factors already in their future, factors that are changing the global structure of the agri-food sector. This is the challenge that has been recognized by leading management thinkers (Drucker, 1977; Ireland and Hitt, 1999; Zahra, 1999). It is this challenge that we address in this paper.

Our examination of the processes of globalization and concentration is organized using the framework illustrated in figure 1. The analysis follows the framework, beginning with the factors driving the processes, examining factors facilitating the activities and then moving on to an examination of current globalization and concentration activities and their implications for managers and policy makers.

Drivers

We group drivers into three broad categories – markets and customers, products and production and financial market influences. These factors are inextricably linked.

Markets and Customers

Markets for agri-food products have been changing in recent years. Consumer demand for increased variety and year-round access to food products has led to global sourcing of many products. Firms have initiated alliances or acquisitions to secure and

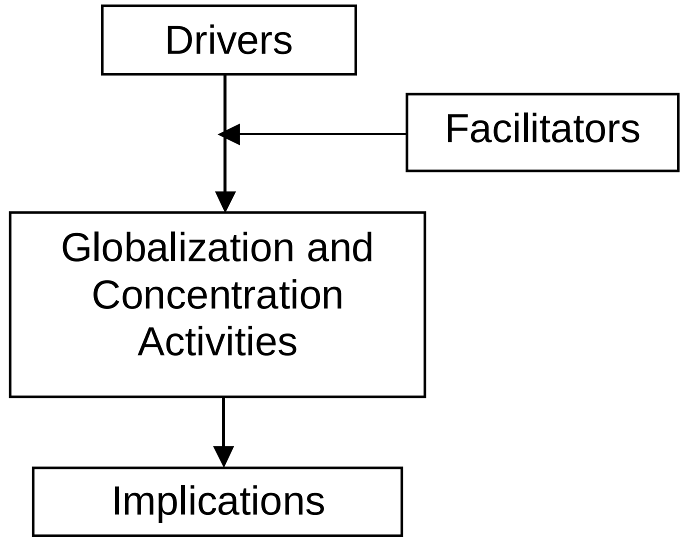

Figure 1 A framework for analyzing globalization and concentration

control these global supply chains. Customer expectations for new products and more variety encourage managers to seek new product and market opportunities outside the organization, frequently through acquisition. In some industries, such as the red meat industry, shrinking consumer consumption has contributed to increased concentration as managers seek growth through acquisition (MacDonald et al., 2000).

In their attempts to reduce costs through streamlined supply chains and larger volume purchases, organizations are reducing their supplier bases and working more closely with those remaining. A prime example is Kmart's decision in early 2001 to sole-source the $3.7 billion in grocery purchases for its Big Kmart and Super K stores on the East Coast (Howell, 2001). As company size increases through merger and acquisition (M&A) activity, there are incentives for suppliers to the growing companies to grow as well. When organizations become more global, there are advantages for global suppliers who can serve the needs of these organizations in multiple markets for multiple products. The supplying companies that survive and prosper will be those that develop the capabilities to meet the needs of global customers.

In mature markets that are becoming saturated, concentration frequently increases as firms seek growth through M&As. Many firms are forced to seek expansion alternatives in foreign markets. This has been a major factor in the expansion of EU retailers into other markets. For example, Royal Ahold now derives more than 70 percent of its revenue from foreign sales (Tittleson, 2000).

Products and Production

Several production and product related factors affect globalization and concentration: economies of scale and economies of scope, and acquisition of new products and intellectual property.

Economies of Scale. This factor has been frequently cited as the major incentive for M&As in the agri-food sector, particularly in primary processing. Economies of scale are generally limited by technological factors, but those limits continue to increase with technological advances (MacDonald et al., 2000; Ollinger, MacDonald and Madison, 2000). In red meats in particular, economies of scale, combined with shrinking markets and increased price competition, have resulted in high degrees of concentration at the packing level. The market share of the top four U.S. beef packing firms (CR4) is roughly 80 percent, more than double the CR4 in 1980 (MacDonald et al., 2000).

Economies of Scope. Synergies, real or perceived, among product lines have been a factor in numerous acquisitions. The concept of convergence, where the distinction between business lines blurs, is taking on increasing relevance, particularly in the area of biotechnology and related inputs. Numerous acquisitions may be attributed to the desire to match chemical and seed sales, or agricultural and pharmaceutical biotechnology competencies, or production and distribution activities (Hayenga, 1998). Convergence is also seen at the retail level where firms are expanding the range of products and activities.

Scope and Scale Relationships. The relationship between economies of scale and scope will need to be rethought, as the basis for global competition moves away from markets and towards core competencies and products. While economies of scale enable low-cost producers to win in their marketplaces, if they are not based on core competencies that can be used to shift to other products, they may become liabilities. Red meat producers would be well advised to think about this future due to developed-economy demographics and social trends.

Acquisition of New Products and Intellectual Property. For many firms, the need for new products exceeds their ability to develop those products internally. This is particularly true in the area of agricultural biotechnology, where patents generally protect new products. During the mid to late 1990s, firms seeking to acquire knowledge and intellectual property more rapidly than they could develop them internally completed a multitude of acquisitions and alliances (Lesser, 1998). This trend may also become more pronounced in the agri-food sector as internationalization of localized cuisine creates further incentives for global food companies to acquire an international array of products. Nestlé has been building its business on this premise for over a century.

Financial Market Influences

Senior managers may be driven by financial market expectations for growth. For companies pursuing growth strategies, acquisitions are often the only way to meet those expectations. Markets fund the growth, but will only continue to do so if management

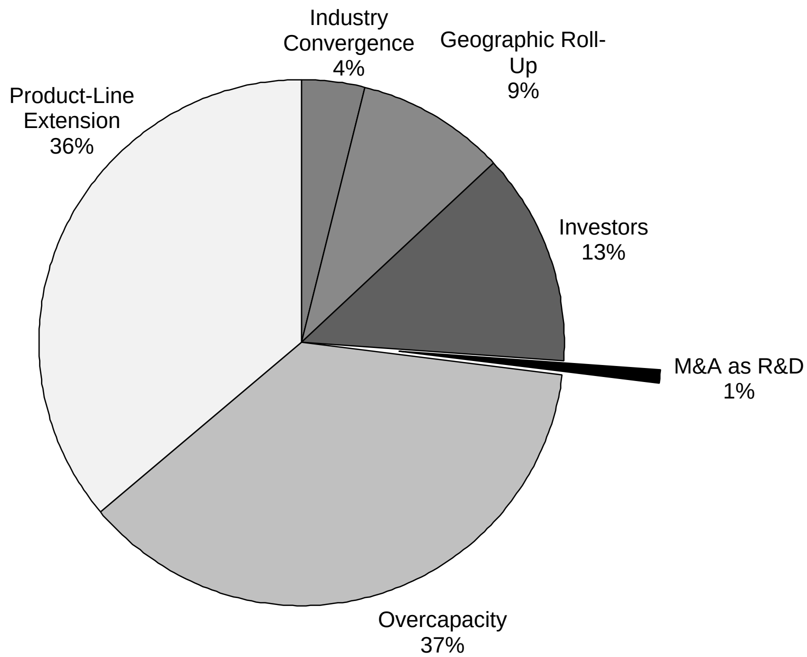

Figure 2 Rationales for merger and acquisition activity, 1997-1999

These data are from all U.S. M&A deals between 1997 and 1999 over U.S. $ 500 million, where acquiring and acquired companies or divisions could be identified by four-digit SIC code. In total, 1036 deals were analyzed.

Source: Bower, J.L. 2001. Not all M&A are Alike and That Matters. ***Harvard Business Review*** March: 92-101

meets targets, thus forcing managers to continually search for acquisitions to satisfy market expectations. Financial markets and managers also tend to operate in cycles. When cash is readily available M&A activities increase dramatically, a trend obvious in 1999 and early 2000. High stock prices fuel this activity, as firms pay for acquisitions with overvalued stock. Frequently, the first big mergers in an industry will accelerate the pace of merger activity, as companies scramble to keep pace with competitors. Mergers and acquisitions become part of the market psyche (Ghemawat and Ghadar, 2000).

Key Drivers in Large U.S. Mergers and Acquisitions

Bower (2001) examined U.S. mergers and acquisitions over $500 million in value during the period 1997-1999. The analysis revealed that for these large transactions, overcapacity and product-line extension were the major reasons for the deals, but convergence, R&D and investor motivation were also factors (figure 2). If smaller deals were examined, the distribution of motivation would change, with almost certainly more emphasis on R&D. Few R&D mergers reach the $500 million value level.

Facilitators

The processes of globalization and concentration have been facilitated in the last two decades by several factors: trade liberalization, various technologies, and management methods and capabilities.

Trade Liberalization

Relaxation of trade restrictions ranging from the creation of the European Union to the GATT agreements (now WTO) and numerous free trade agreements like the North American Free Trade Agreement have all acted to reduce barriers to the flow of goods and services. These agreements have facilitated a dramatic increase in trade worldwide, but particularly among the more developed regions of the world.

Information, Communication and Computer Technologies

Advances in these technologies have allowed corporations to integrate and control global corporations relatively seamlessly. Access to corporate information can be immediate and ubiquitous. When combined with improved decision-making and system-control software, control of global corporations is simplified.

Logistics and Transportation Technologies

Improved transportation methods and better storage and packaging technologies have made it easier and faster to move agri-food products around the world and still retain the value and shelf life of the products.

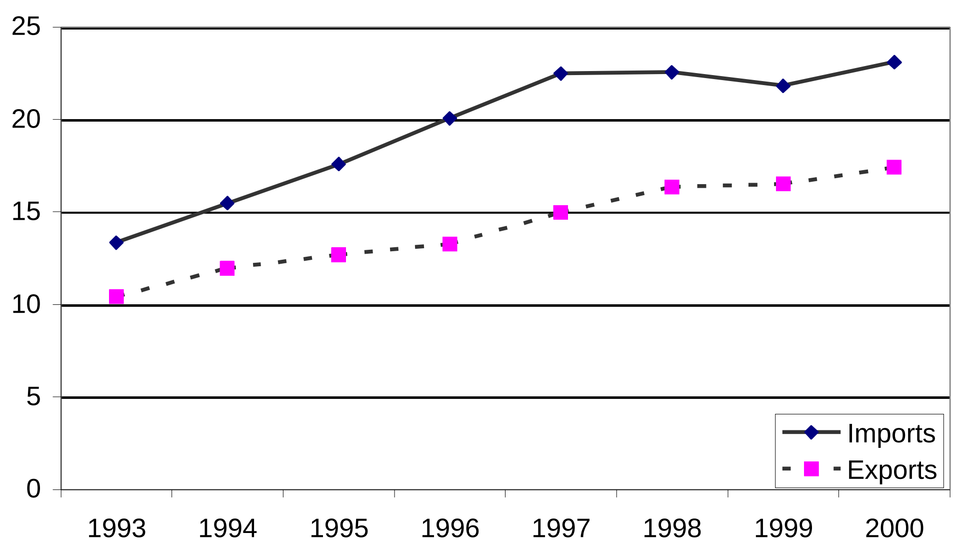

Figure 3 Canadian agri-food trade, imports and exports (billions of Cdn.$)

Source: Quarterly Trade data at http://www.agr.ca/policy/epad

Management Methods and Capabilities

Management training and experience is beginning to recognize and encourage global experience. Transnational corporations develop a global perspective in their management teams through training and placements in different parts of the world as well as through initiatives to develop the management skills of local managers, integrating them into the global organization. Leading CEOs will likely need to be able to speak at least two or three languages (Ireland and Hitt, 1999).

Globalization and Concentration Activities in North America

Trends in globalization and concentration activities were developed from a literature review, an analysis of U.S. and Canadian government agricultural and industry databases, various websites, and informal discussions with managers, public officials and academics. Data for the study of Canadian mergers and acquisitions were secured by filtering data from the *Annual Directory of Mergers and Acquisitions in Canada* for the five-year period 1996-2000. Agri-food sector data were included in the consumer products category. Data were screened for food-sector relevance and for confirmation of whether the deals actually were completed.

When one examines the globalization and concentration activities around the world a few trends are apparent.

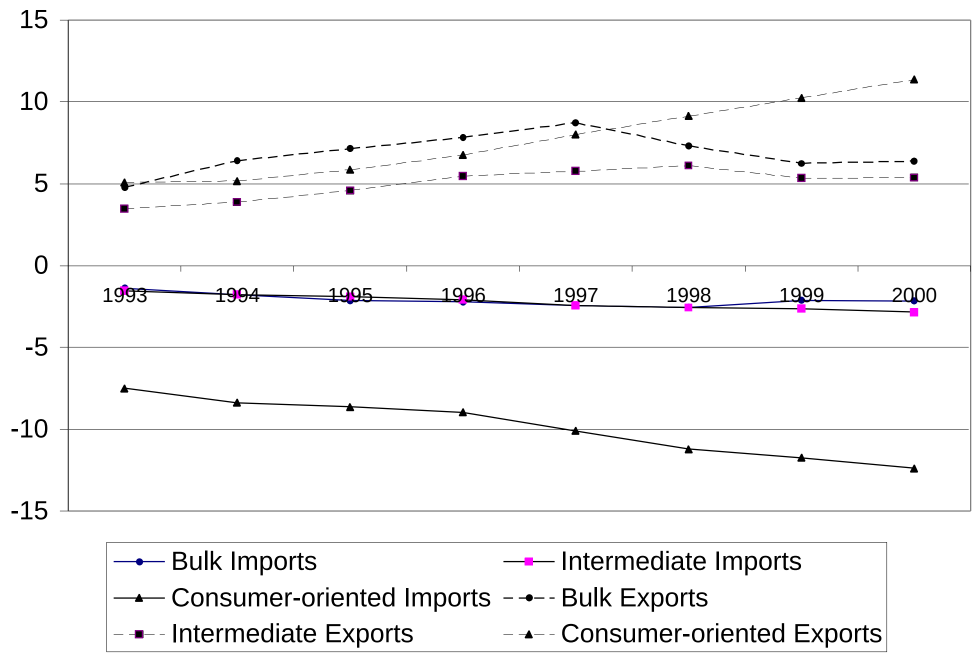

Figure 4 Composition of Canadian agri-food exports and imports by degree of processing (billions of Cdn.$)

Source: Quarterly trade data at http://www.agr.ca/policy/epad

Business is becoming more global and trade more important.

Since World War II, the proportion of global income accounted for by trade has increased from 7 percent to 21 percent (Ireland and Hitt, 1999). The number of transnational corporations has increased from 7,000 in 1970 to 53,600 in 1998, controlling 449,000 subsidiaries (French, 2000). The importance of trade is continually increasing. In Canada, trade accounts for Cdn. $410 billion in goods and services, 43 percent of GDP. Of that, agri-food trade accounted for $23.1 billion in 2000, with an agri-food trade surplus of approximately $5.7 billion (figure 3). While the overall trade numbers increase over the period 1993-2000, analysis of the composition of that trade (figure 4) reveals a dramatic shift from bulk and intermediate goods to consumer goods.

Merger and acquisition activity is increasing.

There were more than 28,000 mergers worldwide in 1999, up almost one-third from 1998, with a total value almost six times the value of 1994 transactions. Food industry mergers and acquisitions in the United States have been increasing (figure 5). In Canada the trend is less obvious for food processing (figure 6).

The activity in the agribusiness sector is large, but not when compared to that in sectors like information/communication technology. In 1999, the total value of mergers in the EU reached US $1.5 trillion, up more than 50 percent from 1998. General Electric, for example, was absorbing companies at an incredible rate, purchasing 134 companies for a combined total of $17 billion in 1999 alone. In 2000, GE announced the $45 billion

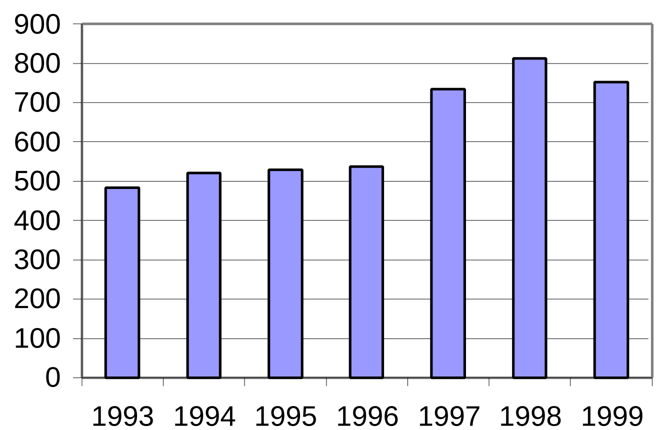

Figure 5 Number of U.S. food industry mergers and acquisitions, 1993-1999

Source: The Food Institute, July 3, 2000 (excludes farms) acquisition of Honeywell International. However, the recent crash in technology stock prices dramatically alters the valuations of deals during the 1998-1999 period.

Most merger and acquisition activity has been national but that is changing.

There is a strong preference for national mergers and acquisitions, particularly in the United States, where more than 90 percent of the transactions in figure 5 occurred between U.S. firms. However, the number of foreign acquisitions is increasing as companies seek new markets and growth opportunities. Both concentration and globalization are patently apparent at the retail level. In the United States, the top ten retail chains had combined sales of US $262 billion in 1992 compared to $492 billion in 1998. In 1992, those chains each operated in an average of 4.8 countries compared to the

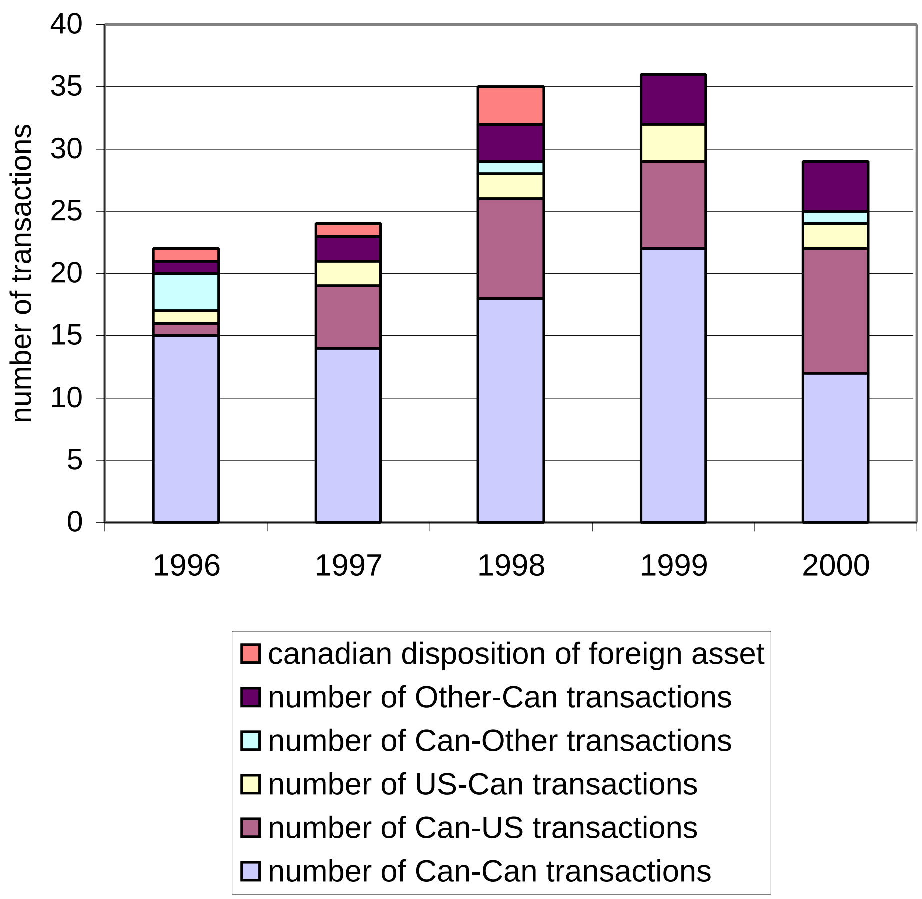

Figure 6 Number and nationality of Canadian food-sector acquisitions, 1996-2000

Source: ***Annual Directory of Mergers and Acquisitions in Canada,*** 1996-2000 (excludes farms)

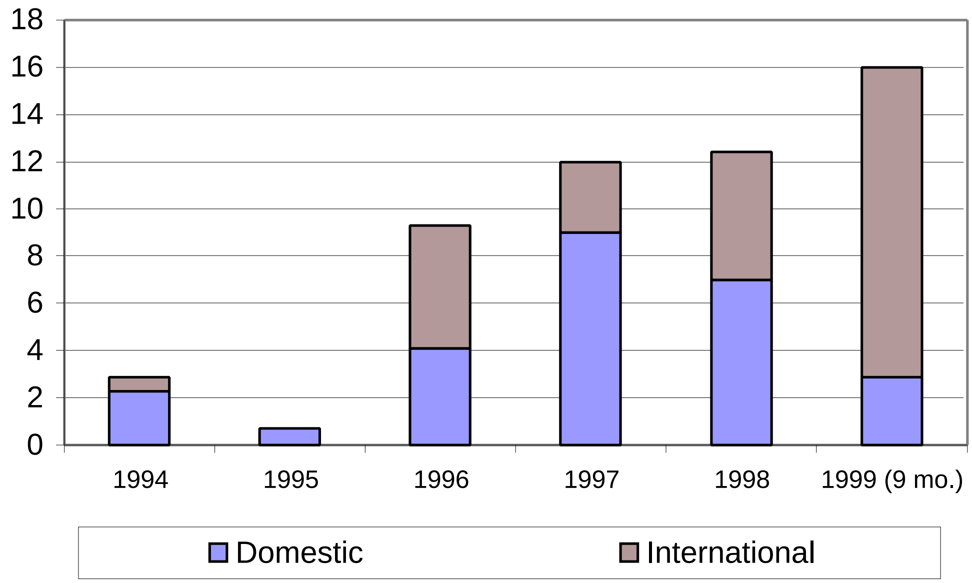

Figure 7 Mergers and acquisitions involving EU retailers (billions of US$)

Source: Gurdjian, P. et al. 2000. Bagging Europe's Groceries. ***McKinsey Quarterly*** 2:68-75.

average of 11 in 1998. In the United States, the CR4 increased from 17 percent in 1987 to 27 percent in 1998 (Calvin et al., 2001). In both the United States and abroad much of the growth was achieved through acquisition, and every indication is that the trend toward global retailers will continue. European retailers are also heavily involved in expanding their operations globally, as illustrated in figure 7. However, economies of scale and cost savings tend to be more difficult for these retailers to capture in international than in domestic acquisitions (Gurdjian et al., 2000).

The trend toward global organizations was reflected in the mergers and acquisitions in Canada during the period 1996-2000 (figure 6). The nature of that activity is becoming more international, with foreign companies entering the Canadian market and more Canadian companies purchasing foreign firms. In food processing, the percentage of Canadian/Canadian transactions declined from 68 percent in 1996 to 41 percent in 2000, while Canadian acquisitions of foreign targets increased from 18 percent to 38 percent in the same period.

The Canadian-based transactions over the 1996-2000 period were further categorized by the nature of the acquired Canadian asset into:

1. acquisitions of private Canadian companies;
2. acquisitions of public Canadian companies; and

3. acquisitions of divested Canadian business units or facilities of companies, which may or may not be owned by Canadian firms. Divestitures are differentiated by the fact that the entire company is not purchased.

In figure 8, one can see that over the period, Canadian firms acquired predominantly private companies. U.S. firms tended to purchase divested business units of Canadian companies, and other international firms showed a preference for Canadian public companies.

In terms of transaction value, only 76 of 174 transactions reported the value. Reported value distribution did not show any particular pattern for the five-year period. The distribution of value over the entire period is shown in figure 9. For those transactions, cash was definitely the preferred payment option, although 2000 showed a flurry of mixed deals (figure 10).

Spin-offs are occurring as well.

One of the interesting misconceptions is that mergers and acquisitions are a one-way street. This is definitely not true. In the United States, in the ten-year period prior to 1998 an average of 50 new companies per year, or roughly 10 percent of IPOs, were carve-outs from large companies.[2] Spin-offs are even more common. In the first nine months of 1998, 300 spin-offs were launched on the U.S. stock market. Many more business units move between companies. In Canada, for example, Maple Leaf Foods made one bakery

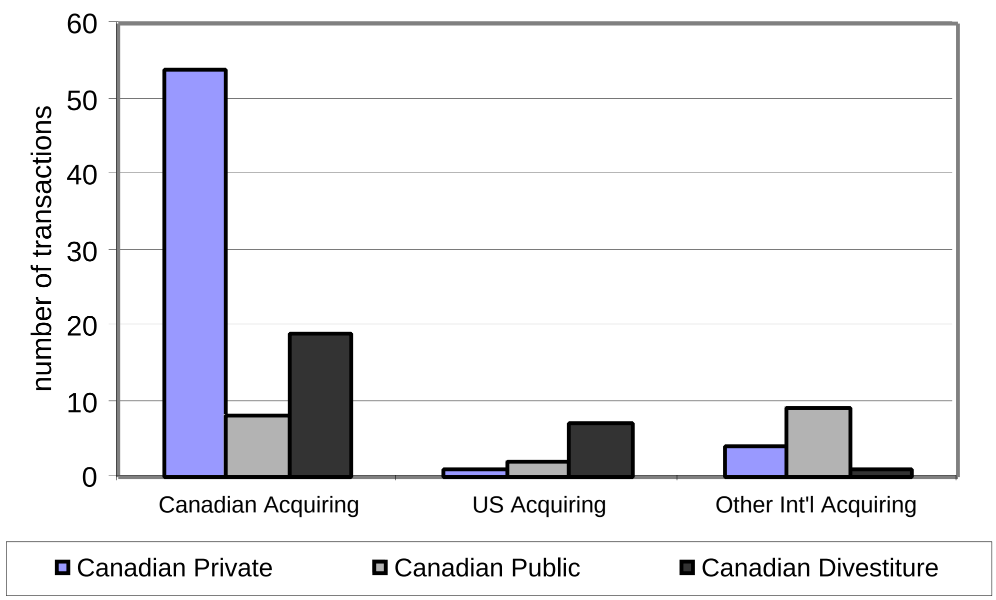

Figure 8 Nature of the acquired Canadian company or business unit, 1996-2000

Source: ***Annual Directory of Mergers and Acquisitions in Canada,*** 1996-2000

and five meat-processing acquisitions in the 1996-2000 period, but divested two milling companies, one in Canada and one in Belize to ADM. Large multinational corporations are only interested in markets above certain size thresholds. "Whenever that consolidation occurs it spins off a whole bunch of small and medium sized companies or entrepreneurs who get into the business and start to find a niche."[3]

Spin-offs may also result from government intervention due to concerns over loss of competition. FTC approval of the Albertson's-American merger in the United States required the sale of 140 stores in 57 cities (Kaufman, 2000).

Convergence brings competitors into the field.

In some cases, powerful new competitors enter a business as a result of convergence, the process whereby distinctions between traditional business lines become blurred. The Time Warner/AOL merger is the highest profile example of convergence, as the distinctions between entertainment and the Internet disappear. The food industry is replete with examples of convergence, particularly at the retail level. Wal-Mart's entry into the food retail business has been accomplished by adding food retail to existing retail operations. Building on its relations with customers through consumer products Wal-

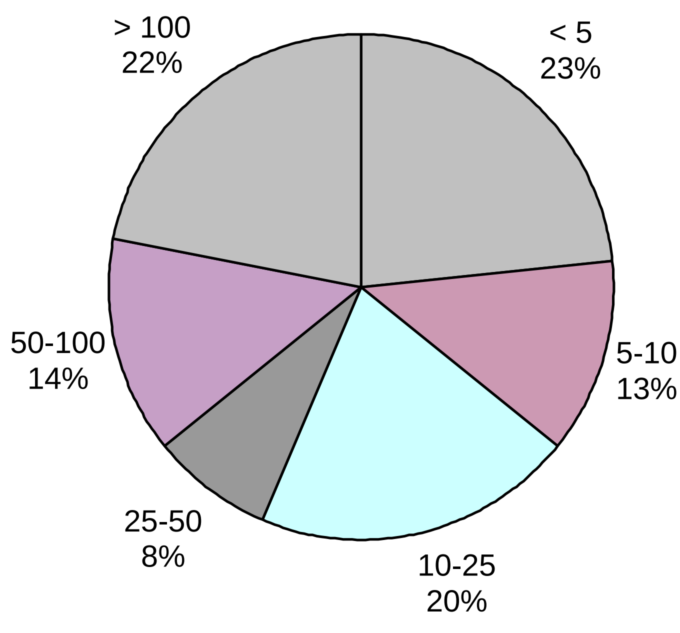

Figure 9 Distribution of reported transaction value in Canadian agri-food sector from 1996-2000 (millions of Cdn.$)

Source: ***Annual Directory of Mergers and Acquisitions in Canada,*** 1996-2000

Mart's share of U.S. grocery retailing rose from zero in 1993 to 9 percent in 1998, with total global supermarket category sales of approximately $39 billion annually. Food retailers are using their customer and store bases to move into new areas, such as banking and insurance, and even car sales.

Differentiated products can lead to new companies.

The preceding sections presented numerous examples of globalization and concentration activities, evidence that could lead one to conclude that the process is a one-way street, that firms have been disappearing and will continue to disappear as others become larger and more global. While this is true in some industries, in others the number of firms is actually increasing in spite of a multitude of mergers and acquisitions (Ghemawat and Ghadar, 2000). As we will illustrate, the difference is frequently related to the ability of the industry to differentiate its products.

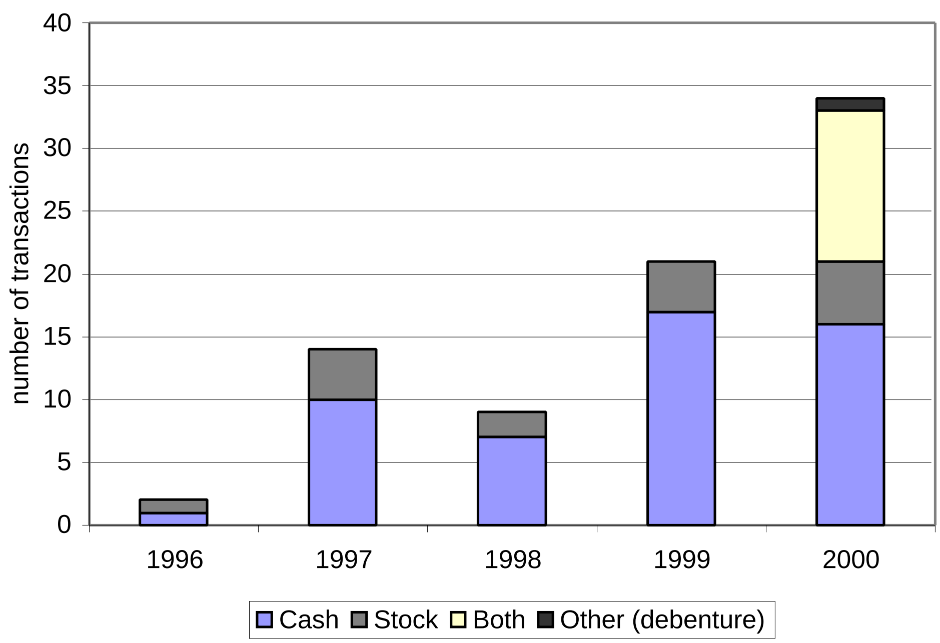

Figure 10 Form of payment for reported transactions in the Canadian agri-food sector (only for those transactions with recorded values)

Source: ***Annual Directory of Mergers and Acquisitions in Canada,*** 1996-2000

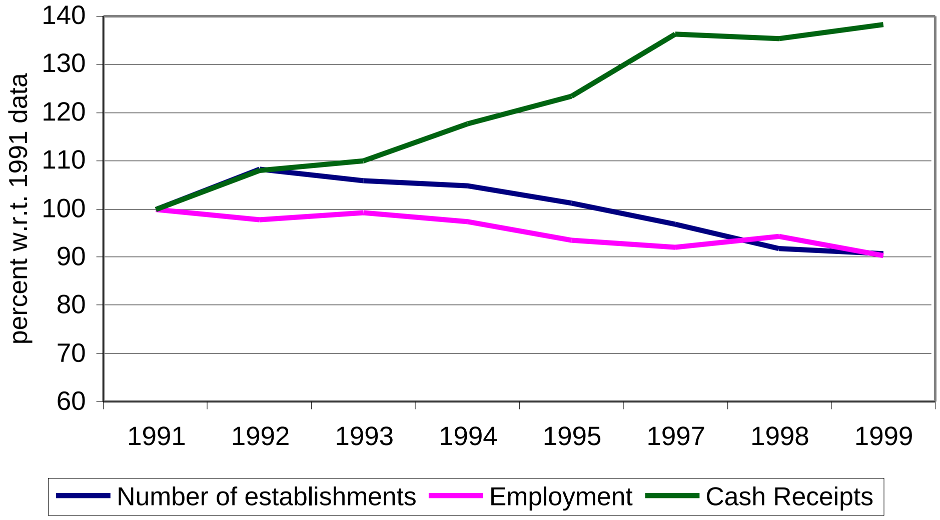

Figure 11 Canadian primary agricultural statistics – number of establishments, employment levels and cash receipts relative to 1991

Source: Strategis Canada

Where there are no countervailing forces, firms dealing in commodities have been, and will continue to be, driven by pressures of price. Industry players must grow to achieve economies of scale and take advantage of cost-saving technological innovations. With the exception of very rapidly growing industries, the result is increased concentration, as has been evident in the North American meatpacking and grain industries. Unfortunately for the Canadian rural landscape, this phenomenon applies across much of primary agriculture (figure 11), where output has risen while firm numbers and employment have fallen.

However, where there are opportunities for innovation and product differentiation the outcome is different. Although many global corporations continue to expand, new product opportunities translate into new companies. In such industries, in spite of a significant number of acquisitions, the number of companies continues to increase. This has been particularly evident in the food-processing sector, which has shown considerable growth in firm numbers (figure 12).

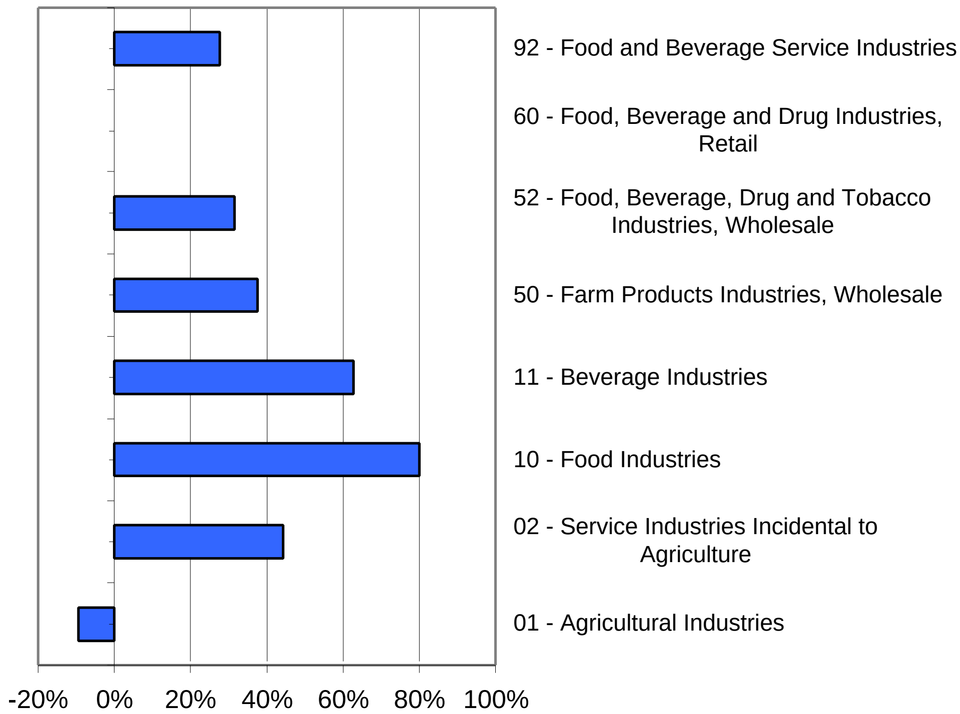

Figure 12 Percent change in number of establishments in major Canadian agriculture and food industries, 1991-1999

Source: Strategis Canada

Implications of Globalization and Concentration

Implications for Business Managers

Global Opportunities and Competition

As the rate and extent of globalization increases and mergers and acquisitions change the nature of the competition, managers must plot their courses in an increasingly complex environment. The principal message for agri-food managers is that constant environmental scanning will be essential to identify both the opportunities and threats resulting from globalization and concentration. Foreign markets present new market and sourcing options as well as opportunities for acquiring new products to offer to a firm's existing customer base. By the same token, competition may come from competitors who were previously not involved in the markets, due either to geographic separation or to the fact that their business was not traditionally focused on agri-food markets. As agri-food markets become a place for new competitors to deploy their non-agri-food competencies, they can change the nature of competition in the agri-food sector. For agri-food managers, developing core competencies by looking inward at firm capabilities is important, but excellence in external analysis will also be a necessary management survival skill. This management capability cannot be learned through a traditional MBA curriculum; rather it requires experiential learning – inside and outside public, academic and private organizations.

Firms expanding into new markets face many unknowns. Ghemawhat's (2001) framework on global distances attributes the challenges faced by companies in global expansion to a lack of management understanding of the impact of the four dimensions of global distance: cultural, administrative, geographic and economic distance. Developing skills to bridge gaps across such a range of activities traditionally has not been part of management training.

Mergers and Acquisitions and Firm Strategy

Strategy related to mergers and acquisitions will differ depending on whether a firm is in commodities or niche products. Firms in the commodity businesses will continue to focus on cost and the role of economies of scale in improving their competitiveness. Mergers and acquisitions can help firms attain those economies of scale, as can expanding into new global markets. Both scale and global sourcing can contribute to cost-reduction strategies.

For firms with the ability to differentiate their products, global markets not only can offer new outlets for those products but also can expand the knowledge base required to continually develop new product offerings. Expansion of the knowledge base may be accomplished through the hiring of personnel with more global experience, through relationships with other suppliers and customers internationally, or it can be the result of the acquisition of firms where the desired knowledge resides. This has been particularly evident in agricultural biotechnology.

Firms involved in mergers and acquisitions need an additional skill set, skills in managing the integration of both the new organization and its people. To be successful and capture the value in the embedded knowledge of the acquisition, integration managers must have both task skills and human integration skills (Birkenshaw, 1999).

The Role of Ideas

Every year 12,000 new grocery products are introduced and 80 to 95 percent of these will eventually fail or be replaced by a product variant (Jekanowsky and Binkey, 2000). The frenetic pace of product development and product obsolescence means that ideas are the currency of the future. Ideas mean opportunity and new firms will start to develop ideas into commercial ventures. These start-ups may develop the product and market to a threshold level, beyond which their capabilities may not extend. To move to the next level, these firms must either acquire the necessary capabilities or, more likely, be acquired by a larger organization that sees smaller firms as a source of partially developed ideas and markets. We can expect to see the continuation, and likely acceleration, of the cycle of start-ups and acquisitions related to new products and new technologies. However, it must be noted that firms do not necessarily need to be bought or sold in order for knowledge and capabilities to be transferred.

Global Corporations and Decision Making

One of the implications of global firms for both managers and policy makers is that decision making in these firms may not occur within national boundaries (Bonnot, Carr and Reyner, 2000). Vital components of success in dealing with these organizations will be comprehending the objectives of both local subsidiaries and global parents, understanding the decision-making process, and developing strategies for influencing that process.

Implications for Policy and Policy Makers

It used to be the case that nations tried to influence their citizens' quality of life through monetary, fiscal and other policies. That approach can no longer work, because of trade liberalization and all the associated changes to domestic and international policies (DeLong, 1998). Opponents to globalization and concentration insist that governments take action to stop these processes. Is stopping them possible or desirable? The answer is "Yes, and no". They may be stopped if governments are willing to take legislative action to prevent such activity and are willing to suffer the economic and political consequences of reduced economic activity. However, there are relatively few who would argue that stopping such activity is desirable. Better questions for policy makers to ask relate to the relative costs and benefits of globalization and concentration, the specific sub-sectors that will experience the greatest disruptions or opportunities, and the policies that can assist firms during transition periods.

As with business management, constant environmental scanning will be essential to successful policy development. That scanning must include analysis of the actions of corporations and governments. Policy makers must recognize that global firms are continually evaluating the policies and business environments of the regions in which they operate. The term "relative advantage" applies to regions as well as companies. That advantage is the result of resource availability, competition and government policy. Maintaining an advantage requires policies that promote innovation, entrepreneurship and cooperation between industry and government. It also requires harmonization of policy among important trading partners to minimize unnecessary disruptions.

Now the challenge is for the private and public sectors to work in concert to create policy that attracts the best businesses and industries, both from a private-profit-oriented perspective and from a public policy perspective.

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Endnotes

[1] Senator Dorgan, North Dakota, in the debate over Wellstone Amendment 2752, 17 November, 1999. http://www.abiworld.org/legis/bills/s625/11-17-99debate.html

[2] Carve-outs occur when a company sells partial equity in a subsidiary through an IPO. The parent generally retains majority control. In a spin-off, the entire equity is sold (Anslinger, Klepper and Subramaniam, 1999).

[3] Quote from a Canadian food-processing executive.